Dear Sirs and Mesdames:

In connection with the Financing Agreement (Financing Agreement) of this date between Lao People's Democratic Republic and International Development Association (Association) providing financing (Financing) for the above-captioned Project, and the General Conditions (General Conditions) made applicable to the Financing Agreement, I am writing on behalf of the Member Country to set forth the following:

1. We understand and agree that, for purposes of Section 5.01 of the General Conditions, the Member Country is required by the Association to report "long-term external debt" (as defined in the World Bank's Debtor Reporting System Manual, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, to notify the Association of new "loan commitments" (as defined in the DRSM) not later than 30 days after the end of the quarter during which the debt is incurred, and to notify the Association of "transactions under loans" (as defined in the DRSM) once a year, not later than March 31 of the year following the year covered by the report.

2. We have now been participating in the annual Debt Sustainability Analysis (DSA) for several years. This exercise and the exchange of views which it affords has been invaluable for our mutual understanding of debt dynamics and their most likely evolution as well as the risks posed to the economy by various type of shocks. In this regard it has also played an important role in terms of capacity building and enhancing the technical capability of government staff. I would like to take this opportunity to affirm that in the context of the annual DSA exercise, the Government will continue to provide all the necessary underlying data, including detailed borrowing plans, to ensure the robustness of the analysis. As part of our continued cooperation, we agree to afford IDA the opportunity to exchange views with us should we be considering
incurring any non-concessional borrowing that was not envisaged at the time of the annual DSA exercise.

3. We represent that, except as stated in the Annex hereto, no defaults exist in respect of any external debt (as defined in the DRSM). It is our understanding that, in making the Financing, the Association may rely on the representations set forth or referred to in this letter.

Please confirm your agreement to the foregoing by having a duly authorized representative of the Association sign in the space provided below.

Very truly yours,

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By ____________________________
Authorized Representative

AGREED:

INTERNATIONAL DEVELOPMENT ASSOCIATION

By ____________________________
Authorized Representative